

**ALASKA STATE LEGISLATURE  
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

April 9, 2021  
8:05 a.m.

**DRAFT**

**MEMBERS PRESENT**

Representative Zack Fields, Co-Chair  
Representative Ivy Spohnholz, Co-Chair  
Representative Calvin Schrage  
Representative Liz Snyder (via teleconference)  
Representative David Nelson  
Representative James Kaufman  
Representative Ken McCarty

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 61

"An Act relating to commercial interior designers and commercial interior design; establishing registration and other requirements for the practice of professional commercial interior design; relating to the State Board of Registration for Architects, Engineers, and Land Surveyors; relating to liens for labor or materials furnished; relating to the procurement of commercial interior design services; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 90

"An Act relating to rental vehicles; relating to vehicle rental networks; relating to liability for vehicle rental taxes; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 110

"An Act raising the minimum age to purchase, sell, exchange, or possess tobacco, a product containing nicotine, or an electronic smoking product; relating to transporting tobacco, a product containing nicotine, or an electronic smoking product; relating

to the taxation of electronic smoking products; and providing for an effective date."

- MOVED CSHB 110 (L&C) OUT OF COMMITTEE

CONFIRMATION HEARING(S) :

Board of Social Work Examiners

Mindy Swisher - Palmer

- CONFIRMATION(S) ADVANCED

Alcoholic Beverage Control Board

John Cox - Anchor Point

- CONFIRMATION(S) ADVANCED

Alaska Labor Relations Agency

Patty Burley - Soldotna

Johnny Dewitt - Juneau

Justin Mack - Anchorage

- CONFIRMATION(S) ADVANCED

Alaska State Board of Public Accountancy

Rachel Hanke - Fairbanks

Lance Johnson - Anchorage

Donald Vieira - Palmer

- CONFIRMATION(S) ADVANCED

Alaska Workers' Compensation Board

Michael Dennis - Anchorage

Anthony Ladd - Anchorage

Jason Motyka - Anchorage

Nancy Shaw - Anchorage

Robert Weel - Anchorage

Lake Williams - Fairbanks

- CONFIRMATION(S) ADVANCED

Board of Chiropractic Examiners

Tim Kanady - Anchorage  
John Loyd - Anchorage

- CONFIRMATION(S) ADVANCED

Board of Massage Therapists

Kristin Tri - Eagle River

- CONFIRMATION(S) ADVANCED

Board of Nursing

Lena Lafferty - Anchorage  
Wendy Monrad - Anchorage  
Michael Wilcher - North Pole

- CONFIRMATION(S) ADVANCED

Board of Pharmacy

Richard Holt - Anchorage

- CONFIRMATION(S) ADVANCED

Board of Veterinary Examiners

Dr. Denise Albert - Denali

- CONFIRMATION(S) ADVANCED

Occupational Safety & Health Review Board

John Stallone - Anchorage

- CONFIRMATION(S) ADVANCED

**PREVIOUS COMMITTEE ACTION**

BILL: HB 61

SHORT TITLE: REGISTER COMMERCIAL INTERIOR DESIGNERS

SPONSOR(S): REPRESENTATIVE(S) CLAMAN

02/18/21	(H)	PREFILE RELEASED 1/15/21
02/18/21	(H)	READ THE FIRST TIME - REFERRALS
02/18/21	(H)	L&C, FIN

04/09/21 (H) L&C AT 8:00 AM GRUENBERG 120

BILL: HB 90

SHORT TITLE: VEHICLE RENTALS & VEHICLE RENTAL NETWORKS

SPONSOR(S): REPRESENTATIVE(S) WOOL

02/18/21 (H) READ THE FIRST TIME - REFERRALS

02/18/21 (H) L&C, FIN

04/09/21 (H) L&C AT 8:00 AM GRUENBERG 120

BILL: HB 110

SHORT TITLE: AGE FOR NICOTINE/E-CIG; TAX E-CIG.

SPONSOR(S): REPRESENTATIVE(S) HANNAN

02/24/21 (H) READ THE FIRST TIME - REFERRALS

02/24/21 (H) CRA, JUD

03/17/21 (H) CRA & JUD REFERRALS REMOVED

03/17/21 (H) L&C & FIN REFERRALS ADDED

03/17/21 (H) BILL REPRINTED

04/05/21 (H) L&C AT 3:15 PM BARNES 124

04/05/21 (H) Heard & Held

04/05/21 (H) MINUTE(L&C)

04/09/21 (H) L&C AT 8:00 AM GRUENBERG 120

**WITNESS REGISTER**

REPRESENTATIVE MATT CLAMAN

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, introduced HB 61.

JOEY BOSWORTH, Staff

Representative Matt Claman

Juneau, Alaska

**POSITION STATEMENT:** Detailed the sectional analysis for HB 61 on behalf of Representative Claman, prime sponsor.

DANA NUNN, Interior Design Director

Bettisworth North Architects and Planners

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 61.

TOM BANKS, Chief Executive Officer

Council for Interior Design Qualification

Alexandria, Virginia

**POSITION STATEMENT:** Testified in support of HB 61.

REPRESENTATIVE ADAM WOOL  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, introduced HB 90.

ASHLEY CARRICK, Staff  
Representative Adam Wool  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented a PowerPoint during the hearing on HB 90 on behalf of Representative Wool, prime sponsor.

NICOLE REYNOLDS, Deputy Director  
Tax Division  
Department of Revenue  
Juneau, Alaska

**POSITION STATEMENT:** Provided information and answered questions during the hearing on HB 90.

SABRINA COMBS  
Palmer, Alaska

**POSITION STATEMENT:** Testified in support of HB 110.

ALYSSA KEILL  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 110.

DR. MELINDA RATHKOPF  
Eagle River, Alaska

**POSITION STATEMENT:** Testified in support of HB 110.

SHAUN D'SYLVA, Member  
Alaska Smoke Free Trade Association  
Seattle, Washington

**POSITION STATEMENT:** Testified in opposition to HB 110.

MIKE COONS  
Palmer, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 110.

PATTY OWEN  
Alaska Public Health Association  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 110.

JOHNA BEECH  
Kenai, Alaska

**POSITION STATEMENT:** Testified in support of HB 110.

ROBIN MINARD, Chief Communications Officer  
Mat-Su Health Foundation  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in support of HB 110.

SARAH EATON  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 110.

JESSI WALTON  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 110.

KRISTIN GEORGE  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 110.

CARRIE NYSEEN, Senior Director of Advocacy  
American Lung Association  
Vancouver, Washington

**POSITION STATEMENT:** Testified in support of HB 110.

JAMIE MORGAN  
American Heart Association  
Sacramento, California

**POSITION STATEMENT:** Testified in support of HB 110.

ALEX MCDONALD  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 110.

REPRESENTATIVE SARA HANNAN  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, provided information and answered questions during the hearing on HB 110.

JOE DARNELL, Chief Investigator  
Tobacco Enforcement and Youth Education Program  
Division of Behavioral Health  
Department of Health and Social Services  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the hearing of HB 110.

STEPHANIE ANDREW, Staff  
Representative Sara Hannan  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 110 on behalf of Representative Hannan, prime sponsor.

#### **ACTION NARRATIVE**

[8:05:33 AM](#)

**CO-CHAIR SPOHNHOLZ** called the House Labor and Commerce Standing Committee meeting to order at 8:05 a.m. Representatives Spohnholz, Schrage, Nelson, and Snyder (via teleconference) were present at the call to order. Representatives Fields, McCarty, and Kaufman arrived as the meeting was in progress.

#### **HB 61-REGISTER COMMERCIAL INTERIOR DESIGNERS**

[8:06:38 AM](#)

**CO-CHAIR SPOHNHOLZ** announced that the first order of business would be HOUSE BILL NO. 61, "An Act relating to commercial interior designers and commercial interior design; establishing registration and other requirements for the practice of professional commercial interior design; relating to the State Board of Registration for Architects, Engineers, and Land Surveyors; relating to liens for labor or materials furnished; relating to the procurement of commercial interior design services; and providing for an effective date."

[8:07:05 AM](#)

**REPRESENTATIVE MATT CLAMAN**, Alaska State Legislature, as prime sponsor, introduced HB 61. He said the proposed legislation would change the professional licensing statute to recognize the expertise of certified professional interior designers who have passed the National Council of Interior Design Qualification (NCIDQ), a three-part, 11-hour exam created to identify interior design professionals who have the skills and experience necessary to take on additional responsibility. He said the test is designed to assess the competency of candidates to protect the public through design elements such as fire safety, Americans with Disabilities Act of 1990 (ADA) compliance, emergency egress, and material flammability. He said that in order to be eligible to take the NCIDQ exam one must have a degree from an accredited institution along with a minimum of 60

credit hours of postsecondary interior design coursework. He noted that there are no state licenses in Alaska for the profession of interior design, and one consequence of that is the absence of access to a construction stamp permitting interior designers to submit their work for permitting; this would be changed under HB 61. The practice of commercial interior design described in the text of the proposed legislation is specific and limited to nonstructural, or nonloadbearing, interior design elements; interior planning for occupant loads and exiting; and specification of code-compliant interior finishes, furnishings, and fixtures. The scope of commercial interior design practice described in HB 61, he said, is well within the competencies of interior designers as determined by education, training, and examination.

REPRESENTATIVE CLAMAN said HB 61 would bring economic benefits by increasing professional employment opportunities, providing incentive to hire Alaskans for professional interior design, attracting high-quality design talent to the state, encouraging small business and unrestrained trade, and expanding consumer choices for qualified design professionals. He noted that HB 61 would not change the requirements or daily practice for any other professional in design or construction including architects, engineers, contractors, tradespeople, decorators, or residential designers. Intended to be cost neutral to the state, Representative Claman explained, HB 61 would be self-funded through the Alaska State Board of Registration for Architects, Engineers, and Land Surveyors through application, registration, and renewal fees. As shown in the attached fiscal note, he said, passage of HB 61 would allow the board to hire an additional occupational license examiner, and the annual cost per licensee would be an additional \$30.

[8:11:41 AM](#)

CO-CHAIR SPOHNHOLZ noted 46 sections in the proposed legislation and told Mr. Bosworth he could summarize the sectional analysis.

[8:11:57 AM](#)

JOEY BOSWORTH, Staff, Representative Matt Claman, summarized the sectional analysis. He said that Sections 1-4 relate to establishing the new terms in the AELS Licensing Board. Section 5 would add two seats to the board, one for a commercial interior designer and an additional engineering seat, creating separate seats for electrical and mechanical engineering, which currently share a seat. He said Sections 6-9 would establish



commercial interior design as a certification tracked by the State of Alaska. Sections 8-14 would establish the examination requirements for registration as a commercial interior designer. Section 15, he said, would establish commercial interior design as a seal to be affixed to construction plans; Sections 16-22 would establish commercial interior design terminology in relation to the registration of corporations, limited liability partnerships, and limited liability companies. He said Sections 23-28 would protect the term "commercial interior design" from use by those not registered, and Section 29 would relate to exemptions. Sections 30-32 would establish definitions for terms used in the statute, and Sections 33-42 would establish "commercial interior design" as a term in legal context relating to statute. He said Sections 43-46 would establish the effective date and grace period for registration.

[8:14:14 AM](#)

REPRESENTATIVE KAUFMAN noted that interior designers' work would include certain elements previously done only by architects. He asked whether the same liability requirements would apply.

[8:15:09 AM](#)

MR. BOSWORTH deferred to Ms. Nunn.

[8:15:44 AM](#)

DANA NUNN, Interior Design Director, Bettisworth North Architects and Planners, informed the committee that she is a National Council for Interior Design Qualification (NCIDQ) certified interior designer. She said she works in environments impacting the public including daycares, schools, hospitals, senior living centers, museums, performing arts facilities, courthouses, churches, hotels, and athletic facilities. She described her work as providing standalone interior design services as well as serving as a project manager for larger projects, coordinating the work of multiple disciplines to achieve successful, safe, and code-compliant projects. She said HB 61 would provide another measure of public safety, protection, and risk mitigation in commercial buildings and would expand the choice of qualified professionals, increase professional employment opportunities, attract high quality talent, and encourage students who must leave Alaska to achieve their degree to return to Alaska for career opportunities. She described interior designers as qualified and ready to create safe, sustainable, accessible, and efficient interior

environments in compliance with law and regulation. Interior designers in Alaska, she said, are already independently practicing these activities in states that recognize the profession.

[8:17:58 AM](#)

CO-CHAIR SPOHNHOLZ asked Ms. Nunn whether she would like to address Representative Kaufman's question about liability.

MS. NUNN replied that under HB 61 interior design would be added to the qualifications and requirements already in statute.

[8:18:40 AM](#)

TOM BANKS, Chief Executive Officer, Council for Interior Design Qualification, testified in support of HB 61, which he described as recognizing qualified interior designers. He explained that the Council for Interior Design Qualification (CIDQ) is the premier credentialing organization for interior design professionals, developing and administering the three-part NCIDQ exam required for regulated jurisdictional certification in the United States and Canada. He said NCIDQ-certified interior designers are required to undergo formal education and thousands of hours of supervised experience in order to sit for the exam, which tests knowledge of core competencies required for professional practice including code-based environments such as hospitals, office buildings, and schools. He said the exam has frequently been cited and mischaracterized by those in opposition to HB 61, specifically citing an unsupported claim that says two-thirds of the test may be passed with a score of 50 percent, and could include zero correct answers on the subject of building codes and standards. He said that none of these assertions are true, with building and safety code knowledge assessed in multiple sections of the test. An analysis of each question on the exam, he explained, found that it would be impossible to get all questions pertaining to those topics wrong and still pass the exam. He said CIDQ supports HB 61, along with all other proposed legislation that would allow certified interior designers to practice to the full extent of their capabilities as evidenced by education, experience, and examination. He noted that the public benefits when that happens.

[8:21:18 AM](#)

REPRESENTATIVE KAUFMAN asked Mr. Banks about the liability obligations for interior designers relative to architects.

MR. BANKS replied that, as he was not an expert on the bill language, he would defer to the bill sponsor.

MR. BOSWORTH told Representative Kaufman that he would research his question.

CO-CHAIR SPOHNHOLZ said that the committee would wait for an answer to the liability question before taking formal action.

[HB 61 was held over.]

#### **HB 90-VEHICLE RENTALS & VEHICLE RENTAL NETWORKS**

[8:22:24 AM](#)

CO-CHAIR SPOHNHOLZ announced that the next order of business would be HOUSE BILL NO. 90, "An Act relating to rental vehicles; relating to vehicle rental networks; relating to liability for vehicle rental taxes; and providing for an effective date."

[8:22:48 AM](#)

REPRESENTATIVE ADAM WOOL, Alaska State Legislature, introduced HB 90 as prime sponsor. He described peer-to-peer car rental as a platform through which an individual can rent out their car to someone without using a traditional car rental service. He said Alaska currently has a statewide vehicle rental tax of 10 percent, and the municipality of Anchorage has a car rental tax of 8 percent; therefore, renting a car at the airport in Anchorage carries a total tax of 18 percent. Peer-to-peer rental, he said, is taxed in 29 other states but not in Alaska. He said the municipality of Anchorage recently passed an ordinance to tax transactions on peer-to-peer car rental platforms at the same tax rate as traditional car rental companies. He said that in a typical year, vehicle rental tax revenues total approximately \$10 million, and that it's estimated that business conducted through the peer-to-peer platforms could amount to as much as 20 to 30 percent of the rental market. He stated that the tax would be paid by the renter, collected through the application platform, and remitted by the company, in the same manner as practiced by rideshare services such as Uber or Lyft.

[8:27:45 AM](#)

ASHLEY CARRICK, Staff, Representative Adam Wool, Alaska State Legislature, on behalf of Representative Wool, prime sponsor, presented a PowerPoint titled, "HB 90: Private Vehicle Rental Networks." She presented slide 2, "Definitions," which read as follows [original punctuation provided]:

**Vehicle Rental Business:**

Traditional car rental Examples: Alamo, Enterprise, Thrifty, etc.

**Vehicle Rental Network (AKA Peer-to-Peer):**

Peer-to-Peer and Traditional car rental Examples: Turo, Getaround, Enterprise CarShare

MS. CARRICK presented slide 3, "States where DOR have determined Vehicle Rental Networks to be Taxable," which highlighted Alaska, Arizona, Arkansas, Colorado, Florida, Hawaii, Idaho, Illinois, Maryland, Mississippi, Montana, Nebraska, North Dakota, Oklahoma, and Wyoming. The slide read as follows [original punctuation provided]:

- 16 States including Alaska have a Department of Revenue with a position supporting Vehicle Rental Network Taxation
- Anchorage Ordinance 2020-55 has begun to collect tax on P2P car rental:
  - 8% tax on BOTH vehicle rentals and P2P
  - Adds a new definition for hosting platform

MS. CARRICK presented slide 4, "States where Vehicle Rental Networks are Collecting Tax," which read as follows [original punctuation provided]:

- 29 States currently apply rental taxes to vehicle rental networks
- Alaska's current tax rates:
  - 10% for motor vehicles
  - 3% for recreational vehicles
- Historically, vehicle rental tax revenue has been around \$10 million, which could increase 10-30% with the addition of vehicle rental networks

MS. CARRICK presented slide 5, "Different Standards for the Same Business mode:," which read as follows [original punctuation provided]:

- Traditional car rental and peer-to-peer networks have the same business model with different tax burdens

- The business model of P2P aligns with other app-based industries such as AirBnb and Uber

- P2P networks are clearly operating in Alaska, despite having headquarters in other States

MS. CARRICK noted that the activities of renting vehicles, providing insurance protection, selling ancillary products such as car seats or ski racks, and offering digital technology and mobile apps are activities that traditional car rental businesses and peer-to-peer vehicle rental networks have in common. She then presented slide 6, "Testimony Supporting HB 90," which read as follows [original punctuation provided]:

"If you're Hertz, we know about you. You register with us and pay your taxes. Turo is invisible to us because we don't know the names, let alone contact information, for people renting the cars... We're losing something, but it's hard to tell how much."

-State of Alaska Department of Revenue

[8:33:21 AM](#)

REPRESENTATIVE SCHRAGE said that the objection he's heard is that a person is not a rental company; hosting your car for rental is a different business model, and taxing an individual at the same rate as a rental car company doesn't actually level the playing field. He said that he's also heard the objection that there hasn't been stakeholder engagement in this proposed legislation. He asked Representative Wool whether he's spoken with Turo or others, and whether there has been discussion of compromise or amendments.

[8:34:34 AM](#)

REPRESENTATIVE WOOL responded that he's spoken with Turo, which obviously doesn't want the tax because it currently has a competitive advantage because anyone using its platform doesn't pay tax, making it cheaper to rent cars. Turo naturally would

like to keep that advantage, he said, adding that Turo doesn't have brick and mortar stores or traditional employees. Representative Wool noted that Turo representatives engage in the legislative process, advocating for a lower tax rate than proposed, and he expressed that he doesn't see any logic for allowing Turo a lower tax rate. He stressed that the consumer renting the car would be paying the tax and noted that Airbnb pays the same bed tax as a hotel. He said that the same law affecting peer-to-peer accommodations should apply to peer-to-peer vehicle sharing.

[8:37:33 AM](#)

REPRESENTATIVE SNYDER asked Representative Wool to elaborate on the competitive differences between peer-to-peer and traditional car rental companies.

REPRESENTATIVE WOOL replied that there could be a wider range of vehicles offered in a peer-to-peer car sharing application than by a traditional car rental business, and that prices seem to be similar.

[8:40:04 AM](#)

REPRESENTATIVE MCCARTY asked whether Turo has a corporate license in Alaska.

MS. CARRICK replied that Turo is located in California and does not have a location or business license in Alaska.

REPRESENTATIVE MCCARTY summed up his understanding of what Turo is and asked whether Airbnb or Uber have business licenses in Alaska.

REPRESENTATIVE WOOL explained that the business model of peer-to-peer sharing applications depends on calling their providers "independent contractors." He said that the business avoids labor obligations and is able to say that only independent contractors operate in Alaska, but the business doesn't. He said that owners sharing their car through Turo, or renting a house through Airbnb, generally don't disclose that they're operating as a business.

[8:43:20 AM](#)

CO-CHAIR SPOHNHOLZ passed the gavel to Co-Chair Fields.

[8:43:31 AM](#)

REPRESENTATIVE MCCARTY stated his support for HB 90.

[8:44:32 AM](#)

REPRESENTATIVE KAUFMAN asked whether the names of people renting cars is typically reported to the Department of Revenue (DOR).

MS. CARRICK responded that the quote on the slide referred to people who are making their vehicle available for rent, otherwise known as "hosting." She said the state has asked Turo for information on how many are hosting, who they are, and who DOR could pursue to collect vehicle rental tax; the companies, she said, declined to provide the information.

REPRESENTATIVE KAUFMAN agreed that the people paying to rent a car would be paying the tax and asked whether the service is "more biased towards individuals who live near each other, renting cars." He said that he is trying to "play devil's advocate" and find some way in which a peer-to-peer car rental is different from a traditional car rental.

[8:47:10 AM](#)

REPRESENTATIVE WOOL, in his response, surmised that Representative Kaufman's question was whether there is something demographically different about a peer-to-peer car rental. He said that fewer people rent from Turo than traditional car rental outlets, but that the trend is changing nationwide, especially due to many people having more than one car. He added that he knows individuals who have bought new cars specifically to host them through an app such as Turo. He noted that the law currently says that an individual providing a car for another to rent is required to pay car rental tax; however, there is no way to learn who those individuals are. Under HB 90, he said, application platforms like Turo would be required to collect and remit sales tax to the state.

[8:49:52 AM](#)

CO-CHAIR FIELDS noted that Airbnb pays bed taxes and said, "It's totally insulting that we would let a Silicon Valley-based company pay a lower tax burden than local companies. It makes no sense. They're an international car rental company that aggregates products from multiple people." He characterized

companies engaging in this practice as engaging in a form of tax evasion.

[8:50:28 AM](#)

REPRESENTATIVE KAUFMAN noted that Amazon doesn't have a physical presence, but is doing business, in Alaska. He mused about every business that provides a virtual interface owing a tax.

REPRESENTATIVE WOOL pointed out that Amazon pays local and state sales taxes in states where there is no physical store. He suggested that one could argue that companies not physically operating in the state should pay more taxes because they're not paying property taxes, rent, or local employees. He noted that there is no statewide sales tax in Alaska, so certain companies have a competitive advantage.

[8:53:15 AM](#)

MS. CARRICK recalled South Dakota v. Wayfair, Inc., No. 17-494 (U.S. Jun. 21, 2018), which set the precedent that internet companies are liable for state and local taxes.

[8:53:40 AM](#)

CO-CHAIR FIELDS explained to committee members that South Dakota v. Wayfair, Inc. was a U.S. Supreme Court decision in 2018 that affirmed the right of states to collect sales tax for online transactions.

[8:53:50 AM](#)

REPRESENTATIVE SCHRAGE asked whether Turo provides an IRS Form 1099 to individuals who host their cars.

REPRESENTATIVE WOOL replied that the company does not provide such tax forms, which goes to the heart of the problem. He said he doesn't know whether an individual claims associated rental income, comparing the situation to a restaurant server claiming tips.

[8:54:51 AM](#)

REPRESENTATIVE NELSON introduced a hypothetical situation in which an individual allowed another person to rent their car while the individual was out of state. He asked whether HB 90 would apply in that situation.



REPRESENTATIVE WOOL replied, "This bill deals with transportation network companies." He said that, technically, those who rent their vehicles out are liable for vehicle rental tax. The helpfulness of HB 90, he said, would be due to the fact that most people who rent vehicles do so through a more centralized organization such as a car rental company or a platform such as Turo.

REPRESENTATIVE NELSON expressed understanding that several online car sharing platforms such as Turo are being used within Alaska; the platforms are not paying car rental taxes; and someone who privately rents a car to a friend would be in violation of the law requiring payments of car rental tax.

REPRESENTATIVE WOOL responded:

This law does not create the vehicle rental tax. This just says that if you're a transportation - a peer-to-peer rental company then you're responsible to remit the tax. If you rent a car to someone else you already owe that tax, and if you don't pay it, you already are in violation, regardless of if this bill passes. It's already in state law: there is a vehicle rental tax.

REPRESENTATIVE WOOL said that the state would not pursue tax remittance from an individual periodically renting out their car privately, but peer-to-peer businesses such as Turo are doing a high value of business. He stressed that HB 90 would require Turo to collect and remit car rental taxes.

[8:58:23 AM](#)

CO-CHAIR SPOHNHOLZ asked Representative Wool to confirm that HB 90 would not be creating a new tax, but a mechanism for ensuring existing law would be enforced.

REPRESENTATIVE WOOL confirmed that the proposed legislation would not be creating a new tax, but would mandate that the business operating the peer-to-peer platform would be required to collect the car rental tax and remit it to the state.

[8:59:05 AM](#)

REPRESENTATIVE NELSON asked whether the quote on slide 6 in the PowerPoint presentation is due to Turo not having an Alaska business license.

MS. CARRICK replied that the proposed legislation would add clarity to the statute. She said that according to DOR, Turo and other peer-to-peer applications are liable for taxes, which the department has tried to collect. She explained that the quote referred to the state's previous attempts to collect car rental tax.

[9:00:41 AM](#)

REPRESENTATIVE KAUFMAN expressed interest in hearing testimony from TechNet.

[9:01:32 AM](#)

CO-CHAIR FIELDS noted that the committee would hear public testimony and said, "I think that's a great idea. Let's reach out to TechNet and let them explain why they shouldn't pay taxes, but Alaskans should." He then opined that it "seems pretty straightforward" that companies such as Turo are engaging in tax evasion, and he asked Ms. Reynolds to what extent the Department of Revenue has engaged with the Office of the Attorney General to enforce tax payment.

[9:01:54 AM](#)

NICOLE REYNOLDS, Deputy Director, Tax Division, Department of Revenue, responded that there was a case in Alaska Superior Court several years ago during which the State of Alaska had tried to subpoena Turo's records; however, the case was dismissed.

[9:02:45 AM](#)

CO-CHAIR FIELDS announced that HB 90 was held over.

**HB 110-AGE FOR NICOTINE/E-CIG; TAX E-CIG.**

[9:03:08 AM](#)

CO-CHAIR FIELDS announced that the next order of business would be HOUSE BILL NO. 110, "An Act raising the minimum age to purchase, sell, exchange, or possess tobacco, a product containing nicotine, or an electronic smoking product; relating

to transporting tobacco, a product containing nicotine, or an electronic smoking product; relating to the taxation of electronic smoking products; and providing for an effective date."

[9:03:27 AM](#)

CO-CHAIR SPOHNHOLZ moved to adopt the committee substitute (CS) for HB 110, Version 32-LS0446\I, Nauman, 4/8/21, as the working document. There being no objection, Version I was before the committee.

[9:03:47 AM](#)

CO-CHAIR FIELDS opened public testimony on CSHB 110(L&C).

[9:04:09 AM](#)

SABRINA COMBS testified in support of HB 110. She expressed alarm at how common vaping has become and how the products are marketed toward a younger demographic. She said e-cigarettes should be treated and taxed as regular tobacco products and more difficult to purchase. She said e-cigarettes are often labeled as cessation devices, but are having the opposite effect among teens.

[9:05:29 AM](#)

ALYSSA KEILL testified in support of HB 110 and informed the committee that she is a swim coach of middle school-aged kids. She said the kids have told her they know students who have tried vaping and said there is confusion stemming from misleading messages surrounding the safety of vaping compared to smoking cigarettes. She said her swimmers most commonly express knowledge of disposable vaping products that come in different flavors.

[9:07:35 AM](#)

DR. MELINDA RATHKOPF testified in support of HB 110. She said she has been a practicing physician for over 20 years, and she provided statistics showing the increase of e-cigarette use among teens. She expressed that addiction happens more quickly in children than adults and is much harder to overcome, and leads to mood disorders, attention difficulty, and increased risk of addiction to other substances. She stated that raising the tobacco purchasing age to 21 would be an important part of

reducing tobacco use; in 2015, she said, the Institute of Medicine concluded that raising the minimum age for tobacco sales nationwide would reduce tobacco initiation, particularly among adolescents. She said that three-fourths of adults over the age of 21 support raising the minimum age for purchase along with increasing the price through higher taxes.

[9:11:40 AM](#)

SHAUN D'SYLVA, Member, Alaska Smoke Free Trade Association, testified in opposition to HB 110. He said that the latest tobacco survey done by the Centers for Disease Control and Prevention (CDC) showed that 13.3 percent of middle and high school students had tried e-cigarettes within the past 30 days. He expressed that those in favor of increased regulations on vaping are using "old" data, with the most current data showing use having dropped significantly. He expressed that the proposed wholesale tax of 75 percent could lead to an increase in the smoking rate, saying that studies have shown that, as e-cigarette taxes went up, people moved to smoking regular cigarettes.

[9:15:08 AM](#)

MIKE COONS testified in opposition to HB 110 and said the country has a problem deciding at what age a person becomes an adult. He said that at age 18 a person can vote, be subject to criminal prosecution as an adult, and be drafted into the military or join without parental consent, but cannot own a revolver, drink alcohol, or buy cigarettes. He listed several hypotheticals concerning the age a person should be when making decisions.

[9:17:46 AM](#)

PATTY OWEN, Alaska Public Health Association, testified in support of HB 110. She asked committee members to consider surveys done on Alaska's youth, as opposed to national data, regarding e-cigarette use, pointing out that in 2019, 46 percent of high school students had tried e-cigarettes. Current use of the product among high school students, she said, is 26 percent. She expressed concern about the health effects of vaping and of the practice of marketing directly to children.

[9:20:21 AM](#)

JOHNA BEECH testified in support of HB 110 and presented her written testimony [included in the committee packet], which read as follows [original punctuation provided]:

The FDA acknowledges e-cigarettes as tobacco products. They should be taxed at the same rate as traditional tobacco products. At this time, in the state of Alaska, E-cigarettes are not taxed at all. Also, the entire product should be taxed, not just a portion of it.

We have done so well in our advancement in our fight against cancer; with early detection and prevention being two major players in reducing death rates. Our youth know that traditional tobacco is a bad deal. Yet we see an increase in youth use of e-cigarettes. If we can prevent our youth from using ecigarettes by taxing the tobacco product, why wouldn't we do so?

Please support a strong e-cigarette tax to keep our young people safe and healthy.

[9:21:28 AM](#)

ROBIN MINARD, Chief Communications Officer, Mat-Su Health Foundation, testified in support of HB 110. She pointed out that most tobacco use begins before age 18. Local and state-level policies that increase the per-unit price of tobacco products, create smoke-free environments, and restrict minors' access to tobacco products, she said, have been shown to contribute to the non-use of tobacco among youth. The vapor of e-cigarettes, she said, while containing fewer carcinogenic substances than cigarette smoke, cannot be regarded as simply "harmless." She stated that peer-reviewed studies have found that tobacco taxes increase the overall number of smokers who quit, reduce the overall consumption of tobacco, and introduces the possibility of cessation for those who continue to smoke; in addition, those who don't smoke benefit from increased taxes by experiencing reduced exposure to secondhand smoke and vapor.

[9:23:45 AM](#)

SARAH EATON testified in opposition to HB 110. She told the committee that she has smoked since the age of 12 and has had breast cancer, chronic obstructive pulmonary disorder (COPD), and emphysema. She said she has tried many methods of cessation before moving to vaping, using products from China that weren't

yet available in the United States. A year later, she said, vaping products she characterized as "clean nicotine" began being regulated in the United States. She said she has been told that she no longer has COPD or emphysema, and that she believes vaping saved her life.

[9:27:16 AM](#)

JESSI WALTON testified in opposition to HB 110. She said vaping has saved her life and that military members should be able to make their own decisions.

[9:28:16 AM](#)

KRISTIN GEORGE stated her support for HB 110.

[9:28:40 AM](#)

CARRIE NYSEEN, Senior Director of Advocacy, American Lung Association, testified in support of HB 110, stating that increasing prices is one of the best ways to decrease consumption, encourage users to quit, and delay use in children. She said that with the COVID-19 pandemic and record use of vaping among children, now is the time to do anything possible to discourage the use of products that compromise lung function. She stated that the association between compromised lungs and adverse COVID-19 outcomes is well known. She characterized HB 110 as a "good bill" and said it could be made better by removing the youth possession and use penalties, expressing that they're unlikely to reduce youth initiation and that research suggests such laws are counterproductive. "Heating up toxic chemicals and inhaling these toxins into the lungs is not healthy," she said, adding that the chemicals can cause lung disease while added flavorings cause inflammation. While some of the flavorings are food additives, she said, they're designed and approved to be ingested rather than inhaled. She pointed out that manufacturers of vaping products have taken no steps to have their products approved as smoking cessation devices.

[9:30:57 AM](#)

JAMIE MORGAN, American Heart Association, testified in support of HB 110. She said tobacco use remains the leading cause of preventable death in Alaska, costing the state \$571 million in direct health care costs and \$261 million in lost productivity. She said e-cigarettes are now the most commonly-used tobacco products by youth and adolescents. She noted that e-cigarettes

increase the odds of stroke, heart attack, and coronary heart disease, and research shows that vaping damages the function of blood vessels, increasing arterial stiffness and blood vessel damage similar to that found in the bodies of traditional smokers. She explained that one vape pod can contain as much nicotine as two to four packs of cigarettes, and that children are vaping as much as four pods per day.

[9:33:30 AM](#)

ALEX MCDONALD testified in opposition to HB 110. He shared that he watched his grandmother die of lung cancer from smoking and has tried everything to quit his own addiction. He said he switched to vaping in 2013 and has been tobacco-free ever since, noting that he submitted an article that said vaping is more effective than traditional nicotine replacement therapy in cessation. He said getting people to stop smoking traditional cigarettes would help the state's budget, and HB 110 would be counterproductive to public health.

[9:36:37 AM](#)

CO-CHAIR FIELDS, after ascertaining that no one else wished to testify, closed public testimony on HB 110.

[9:36:58 AM](#)

REPRESENTATIVE NELSON asked for an explanation for the increase in age for tobacco sales.

[9:37:15 AM](#)

REPRESENTATIVE SARA HANNAN, Alaska State Legislature, as prime sponsor, replied that the change in age is to comply with federal law. She mentioned a 2019 executive order from President Donald Trump mandating a minimum age of 21 as the age of legal use.

REPRESENTATIVE NELSON asked Representative Hannan to clarify whether the executive order required an individual to be 21 in order to purchase the products, or to sell them.

REPRESENTATIVE HANNAN replied that the age for selling tobacco products is up to each state.

REPRESENTATIVE NELSON surmised that it would be up to the legislature to increase the age required for selling tobacco.

REPRESENTATIVE HANNAN responded that HB 110 would bring Alaska's statutes into compliance with federal age of use requirements.

REPRESENTATIVE NELSON asked, "But not the age to sell?"

REPRESENTATIVE HANNAN replied, "Correct."

REPRESENTATIVE NELSON asked whether anyone knows what the price of an e-cigarette would be if HB 110 were to pass.

REPRESENTATIVE HANNAN said that she doesn't know, and explained that HB 110 would add the current tobacco tax onto the entire category of products.

[9:39:37 AM](#)

CO-CHAIR SPOHNHOLZ pointed out that in Anchorage one must be 21 to either purchase or sell tobacco products. She referred to an earlier mention of the military and said that it had been her understanding that the military doesn't allow the sale of tobacco on military bases to anyone under 21.

REPRESENTATIVE HANNAN replied that as of August 1, 2020, the U.S. Department of Defense no longer sells any tobacco products in its facilities.

[9:41:06 AM](#)

REPRESENTATIVE SNYDER stated her support of the proposed legislation but said she wants to make sure she understands the current costs of vaping products and cigarettes.

REPRESENTATIVE NELSON expressed the possibility of a return to regular cigarettes if the price of e-cigarettes was much higher in comparison.

REPRESENTATIVE HANNAN said she purchased an e-cigarette several years prior in order to figure out what exactly it was. She said the particular product is not sold in brick-and-mortar stores, noting that HB 110 would ban Internet sales of tobacco products, thereby pushing people to purchase in person. She said she did not delve into prices beyond taxes.

REPRESENTATIVE NELSON asked whether HB 110 would include products such as the transportation mechanism for the vape.



REPRESENTATIVE HANNAN replied, "Correct."

REPRESENTATIVE NELSON asked whether HB 110 would include pipes for regular tobacco.

REPRESENTATIVE HANNAN replied, "No."

[9:44:06 AM](#)

REPRESENTATIVE KAUFMAN, noting that HB 110 would eliminate Internet sales of vaping products, said he pictured a situation in which someone doesn't have close, physical access to an outlet.

REPRESENTATIVE HANNAN responded that a person living in a community without a tobacco store could order directly from a store, which is different from simply ordering from a website. A case of tobacco shipped to Dillingham could involve age verification, she said.

[9:46:00 AM](#)

CO-CHAIR SPOHNHOLZ recalled testimony suggesting that taxing e-cigarette products could incentivize people to use traditional tobacco use due to the cost. She pointed out that HB 110 would bring the vaping mechanisms and liquid into the same tax structure already applicable to tobacco. She noted that tobacco was first taxed because it's dangerous; having an increased tax on e-cigarettes would not force someone to use traditional tobacco, she opined, because it's expensive, not necessarily easier to use, and not safer. She noted that public health experts have stated that one-third of youths are vaping, with a 70 percent increase of e-cigarette use between 2017 and 2018. This is a grooming tool with no public health benefit, she said, to get people into another addictive product.

[9:47:49 AM](#)

REPRESENTATIVE MCCARTY asked whether there are other products for which purchase via the Internet has been banned.

REPRESENTATIVE HANNAN replied that she hasn't looked into it, but that she believes alcohol is banned from being sold online in Alaska.

CO-CHAIR FIELDS agreed.

[9:48:36 AM](#)

REPRESENTATIVE NELSON discussed the apparent disparity in cost between regular tobacco products and e-cigarettes when some municipalities already have a tax in place. He also asked whether there is a reason why a tobacco pipe would not be taxed.

REPRESENTATIVE HANNAN replied that Section 22 addresses self-contained and disposable units. "Juul is one," she said, "where you can only use in a Juul device, Juul pods." She said the goal of the section was to discourage the use of such devices.

[9:50:48 AM](#)

CO-CHAIR FIELDS pointed out that companies such as Juul market to children.

[9:51:12 AM](#)

REPRESENTATIVE SCHRAGE said, "I believe in personal liberties and the freedom to make bad choices." He opined that vape options are less risky and less harmful than traditional cigarettes and expressed that he recognizes there are some health and societal consequences to e-cigarettes. He said that he manages a tutoring program and has observed students leave school to seek addiction treatment because they couldn't maintain focus for an hour in class without vaping. He stated his support for HB 110 and asked whether there could be a staggered implementation to prevent workers who are under 21 from losing their jobs.

REPRESENTATIVE HANNAN replied that most of the punishment for age violations fall on the business. She then deferred to Mr. Darnell.

[9:53:36 AM](#)

JOE DARNELL, Chief Investigator, Tobacco Enforcement and Youth Education Program, Division of Behavioral Health, Department of Health and Social Services, told the committee that businesses know the age requirement is forthcoming and are slowly starting to integrate the expected requirements into their operations. He alluded to a rollout similar to what was put into place when Alaska moved to smoke-free workplaces.

REPRESENTATIVE SCHRAGE said he could see it causing hardship in small communities.

[9:55:15 AM](#)

REPRESENTATIVE KAUFMAN expressed understanding that the tax rate would apply to the device as well as to the liquid.

REPRESENTATIVE HANNAN responded, "Yes, currently it taxes disposable electronic smoking products that contain vape."

REPRESENTATIVE KAUFMAN asked whether a standalone device would be included in the tax.

[9:56:20 AM](#)

STEPHANIE ANDREW, Staff, Representative Sara Hannan, Alaska State Legislature, replied, "My understanding is that in the new definition, the cartridge would be taxed, but the device, if it is not contained in a kit or all-in-one, that it would not be taxed separately. So, it refers to the part of the device that includes the nicotine."

[9:56:40 AM](#)

CO-CHAIR FIELDS expressed that if the devices were legitimately used for smoking cessation, the proposed legislation would not be considered. He stated that the body of evidence shows that the devices are used to foster addiction in children. He then read an excerpt from a letter from the Mat-Su Health Foundation [included in the committee packet], which read as follows [original punctuation provided]:

they are a grooming tool, grooming kids to accept, like, and become dependent on smoking and nicotine. Recent research indicates that adolescents and teens who try e-cigs are much more likely than other youth to progress to traditional cigarettes.

[9:57:17 AM](#)

CO-CHAIR SPOHNHOLZ moved to report CSHB 110, Version 32-LS0466\I, Nauman, 4/8/21, from committee with individual recommendations and the accompanying fiscal notes.

[9:57:31 AM](#)

REPRESENTATIVE NELSON objected, saying that he agrees that smoking carries negative effects but that small business owners might want to hire their own children who may be under 21.

[9:58:15 AM](#)

REPRESENTATIVE KAUFMAN asked whether Representative Nelson would consider a conceptual amendment.

REPRESENTATIVE NELSON replied that a conceptual amendment is no longer possible since the motion was already put forward.

[9:58:37 AM](#)

CO-CHAIR FIELDS asked Representative Hannan about the next committee of referral.

REPRESENTATIVE HANNAN replied that the House Finance Committee would next hear the proposed legislation.

CO-CHAIR FIELDS suggested that the House Finance Committee may wish to amend HB 110.

[9:59:13 AM](#)

CO-CHAIR SPOHNHOLZ, pointing out that she may have misspoken during her earlier motion, moved again to report CSHB 110, Version 32-LS0466\I, Nauman, 4/8/21, from committee with individual recommendations and the accompanying fiscal notes.

[9:59:34 AM](#)

CO-CHAIR FIELDS recognized Representative Nelson's earlier objection.

[9:59:39 AM](#)

REPRESENTATIVE KAUFMAN said that there needs to be changes to HB 110 and that he has not decided how he will vote. He said he will seek amendments.

[10:00:05 AM](#)

CO-CHAIR SPOHNHOLZ thanked Representative Hannan for introducing HB 110 and noted that one of the reasons for the higher age requirement for selling is to avoid youths selling the products to their peers. She said that the same reasoning applies to the

statute that mandates an individual who sells alcohol products be of legal drinking age.

[10:00:47 AM](#)

REPRESENTATIVE SNYDER pointed out that it would be helpful during future hearings to state the cost of cigarettes more precisely in comparison to vaping products.

[10:01:37 AM](#)

A roll call vote was taken. Representatives Schrage, Snyder, Spohnholz, McCarty, and Fields voted in favor of reporting CSHB 110, Version 32-LS0466\I, Nauman, 4/8/21, from committee with individual recommendations and the accompanying fiscal notes. Representatives Kaufman and Nelson voted against it. Therefore, by a vote of 5-2, CSHB 110(L&C) was reported out of the House Labor and Commerce Standing Committee.

**CONFIRMATION HEARING(S) :**  
**Board of Social Work Examiners**  
**Alcoholic Beverage Control Board**  
**Alaska Labor Relations Agency**  
**Alaska State Board of Public Accountancy**  
**Alaska Workers' Compensation Board**  
**Board of Chiropractic Examiners**  
**Board of Massage Therapists**  
**Board of Nursing**  
**Board of Pharmacy**  
**Board of Veterinary Examiners**  
**Occupational Safety & Health Review Board**

[10:02:43 AM](#)

CO-CHAIR FIELDS announced that the final order of business would be confirmation hearings for the governor's appointees to the Board of Social Work Examiners, the Alcoholic Beverage Control Board, the Alaska Labor Relations Agency, the Alaska State Board of Public Accountancy, the Alaska Workers' Compensation Board, the Board of Chiropractic Examiners, the Board of Massage Therapists, the Board of Nursing, the Board of Veterinary Examiners, and the Occupational Safety & Health Review Board.

CO-CHAIR FIELDS announced that the House Labor and Commerce Standing Committee had reviewed the qualifications of the governor's appointees and recommends that the names be forwarded to a joint session for consideration: Mindy Swisher for the

Board of Social Work Examiners; John Cox for the Alcoholic Beverage Control Board; Patty Burley, Denny Dewitt, and Justin Mack for the Alaska Labor Relations Agency; Rachel Hanks, Lance Johnson, and Donald Vieira for the Alaska State Board of Public Accountancy; Michael Dennis, Anthony Ladd, Jason Motyka, Nancy Shaw, Robert Weel, and Lake Williams for the Alaska Workers' Compensation Board; Dr. Tim Kanady and John Loyd for the Board of Chiropractic Examiners; Kristin Tri for the Board of Massage Therapists; Lena Lafferty, Windy Monrad, and Michael Wilcher for the Board of Nursing; Richard Holt for the Board of Pharmacy; Dr. Denise Albert for the Board of Veterinary Examiners; and John Stallone for the Occupational Safety & Health Review Board. He said that signing the reports regarding appointments to boards and commissions in no way reflects an individual member's approval or disapproval of the appointees, and the nominations are merely forwarded to the full legislature for confirmation or rejection.

[10:04:05 AM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 10:04 a.m.